

Message Text

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TO SECSTATE WASHDC PRIORITY 4813

INFO AMEMBASSY PARIS PRIORITY

UNCLAS SECTION 1 OF 2 TOKYO 16218

E.O. 11652:N/A

TAGS: EGEN EFIN OCON

SUBJECT: TEXT OF DRAFT OF MIKI SPEECH AT SUMMIT (PART II OF IV)

BEGIN TEXT.

"AGENDA ITEM 2-A INTERNATIONAL ECONOMY - TRADE

"1. FIRMLY BELIEVING THAT TRADE EXPANSION UNDER A FREE AND
OPEN ECONOMIC SYSTEM IS THE BEST WAY TO INSURE THE WORLD
ECONOMY'S PROSPERITY AND THE BETTERMENT OF MANKIND'S WELFARE
AND LIVING STANDARDS, WE HAVE CONTINUED EFFORTS FOR THIS
PURPOSE.

"OF MANY ECONOMIC DIFFICULTIES CONFRONTING ALMOST ALL THE
COUNTRIES IN THE WORLD, BE THEY ADVANCED OR DEVELOPING
COUNTRIES, WE ARE REALLY WORRIED ABOUT THE STAGNATION OF
WORLD TRADE, AND UNDER THE PRESENT SITUATION, WHERE THE
DEPRESSION OF DOMESTIC INDUSTRIES IS INCREASING THE DANGER
OF PROTECTIONISM SPREADING, WE THINK THAT MAJOR ADVANCED
COUNTRIES HAVE AN INCREASING NEED TO RECONFIRM THE PRINCIPLE
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OF FREE TRADE AND TO COOPERATE TO PLACE WORLD TRADE ON

AN EXPANSION KENOTE AGAIN.

"2 WORLD TRADE IS NOW CLEARLY SHOWING A DIMINISHING TREND ON A QUANTITATIVE BASIS. NEEDLESS TO SAY, A MAJOR CAUSE FOR THIS DIMINUTION OF WORLD TRADE IS THE DECLINE IN ADVANCED COUNTRIES' PURCHASING POWER RESULTING FROM THEIR SYNCHRONIZED ECONOMIC RECESSION. THIS IS TYPICALLY SHOWN IN THE SLUGGISH GROWTH OF NON-OIL-PRODUCING DEVELOPING COUNTRIES' EXPORTS TO ADVANCED COUNTRIES. IT IS A NATURAL CONCLUSION, THEREFORE, THAT BASIC TO TRADE EXPANSION MEASURES IS TO RESTORE THE MAJOR ADVANCED COUNTRIES' ECONOMIC ACTIVITY LEVEL. IN FACT, MANY COUNTRIES HAVE ALREADY CARRIED OUT THEIR RESPECTIVE ECONOMIC REFLATION MEASURES. BUT SO FAR DEMAND FOR IMPOTS HAS NOT FULLY EXPANDED. IN THIS CONNECTION, IT MAY BE POINTED OUT THAT THE OIL PRICE SOARING HAS REDUCED TRADE THROUGH THE WORSENING OF THE INTERNATIONAL PAYMENTS BALANCE ON THE ONE HAND AND THROUGH THE ECONOMIC STAGNATION AS A DEFILATIONARY FACTOR ON THE OTHER.

"ON THE OTHER HAND, THE EFFECTS OF WORLD TRADE DEMINUTION HAVE APPEARS MOST SERIOUSLY AMONG NON-OIL-PRODUCING DEVELOPING COUNTRIES. THEIR EXPORT STAGNATION AND THE DEFICIT EXPANSION IN THEIR TRADE BALANCES HAVE CAUSED DIFFICULTIES TO THEIR ECONOMIES AND ECONOMIC DEVELOPMENT. THEIR SLUGGISH DEMAND FOR IMPORTS HAS ALSO RESULTED IN MAKING ADVANCED COUNTRIES' EXPORTS MORE STAGNANT.

"USE OF OIL MONEY IS OUR TASK.

"THE WORLD TRADE INCREASE IN 1974 WAS MOSTLY DUE TO THE GROWTH OF OIL-PRODUCING DEVELOPING COUNTRIES' EXPORTS AND IMPORTS. THIS WAS SHOWN IN THE EXPANSION OF TRADE BETWEEN ADVANCED AND DEVELOPING COUNTRIES AND TRADE AMONG DEVELOPING COUNTRIES. HOW TO USE THE ENORMOUS OIL MONEY AMASSED BY OIL-PRODUCING COUNTRIES IN CONSIDERED TO BECOME A BIG TASK IN EXPANDING WORLD TRADE IN THE FUTURE.

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"AFTER THE TURNOF THE YEAR INTO 1975, PROTECTIONIST MOVES AGAINST THE BACKGROUND OF DIFFICULTIES ESPECIALLY IN SPECIFIC DOMESTIC INDUSTRIAL FIELDS ARE MOUTING AMONG BOTH ADVANCED AND DEVELOPING COUNTRIES. MAJOR TRADING COUNTRIES HAVE SO FAR AVOIDED EXTREME IMPORT RESTRICTION MEASURES, BUT AS THE DEPRESSION PROONGS, THE DANGER OF PROTECTIONISM SPREADING FURTHER IS INCREASING, AND ITS ADVERSE EFFECTS ON WORLD TRADE

ARE FEARED.

"ALSO, WE ARE INVARIABLY INTERESTED IN STABLE EXPANSION OF PRIMARY PRODUCT TRADE, BUT THE INSTABILITY OF PRICES AND DEMAND-SUPPLY RELATIONS DUE TO THE GLOBAL DEPRESSION, SPECULATION AND EXPORT RESTRICTION MEASURES IS HAVING UNDESIRABLE EFFECTS ON WORLD TRADE AND LONG-TERM DEVELOPMENT.

"3. VARIOUS COUNTRIES' ECONOMIES TODAY STAND ON INTERNATIONAL INTER-DEPENDENT RELATIONS. NO COUNTRY CAN EXPECT ECONOMIC DEVELOPMENT WITHOUT INTER-DEPENDENT RELATIONSHIPS THROUGH TRADE. AT THE SAME TIME, VARIOUS COUNTRIES SHOULD REALIZE THAT THEY HAVE OBLIGATIONS, COMMENSURATE TO THEIR RESPECTIVE POSITIONS, FOR THE STABLE DEVELOPMENT OF WORLD TRADE. ADVANCED COUNTRIES CARRYING A GREAT WEIGHT IN THE WORLD ECONOMY, SPECIALLY THE SIX COUNTRIES PARTICIPATING IN THIS CONFERENCE, SHOULD ALWAYS NOTE THE EFFECTS, WHICH THEIR POLICIES HAVE ON THE WORLD THROUGH TRADE.

"THE STAGNATION OF THE WORLD ECONOMY HAS CAUSED A MORE ACCELERATED TRADE DECLINE, AND THIS, IN TURN, IS HAVING GRAVE EFFECTS ON NON-OIL PRODUCING COUNTRIES' ECONOMIES AND ON VARIOUS COUNTRIES' EXPORT-RELATED INDUSTRIES, AND HAS DE-STABILIZED THE TRADE STRUCTURE THROUGH STRONGER IMPORT RESTRICTIONS. UNDER SUCH A SITUATION, MAJOR COUNTRIES MUST MAKE EFFORTS FOR ECONOMIC RECOVERY, ACCORDING TO THEIR RESPECTIVE CONDITIONS FROM THE VIEWPOINT OF PULLING OUT OF THE TRADE STAGNANCY TOO.

"TO STRENGTHEN IMPORT RESTRICTION MEASURES OR TO TAKE UNCLASSIFIED

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ARTIFICIAL EXPORT PROMOTION MEASURES, WHILE WORLD TRADE IS SHRINKING AND IS BECOMING UNSTABLE WILL THROW WORLD TRADE INTO GREATER CONFUSION. ON THIS POINT, IT IS

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FM AMEMBASSY TOKYO

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SIGNIFICANT THAT THE OECD TRADE PLEDGE STILL EXISTS, AND I THINK THAT THE COUNTRIES PARTICIPATING IN THIS CONFERENCE SHOUD RECONFIRM THE UPHOLDING IN THEFUTURE, TOO, OF VARIOUS PRINCIPLES FOR THE MAINTENANCE OF THE FREE TRADE STRUCTURE, WHICH IS INCLUDED IN THIS PLEDGE. ESPECIALLY IN VIE OF THE FEAR THAT UNILATERAL IMPORT RESTRICTION MEASURES WILL HAVE ADVERSE EFFECTS ON INTERNATIONAL TRADE AND WILL CAUSE CHAIN REACTIONS, THE PARTICIPATING GOVERNMENTS SHOULD EXPRESS THEIR INTENTIONS TO MAKE EFFORTS FOR STRICTLY REFRAINING FROM SUCH MEASURES.

"IN VIEW OF THE FACT THAT EXPORT RESTRICTION MEASURES ON PRIMARY PRODUCTS, ETC. WILL CAUSE CONFUSION IN THE INTERNATIONAL ECONOMY, IT IS NECESSARY TO ESTABLISH A COMMON UNDERSTANDING THAT TO AVOID SUCH MEASURES IT IS IMPORTANT TO SEE TO SMOOTH DEVELOPMENT IN SUPPLIER COUNTRIES OF PRIMARY PRODUCTS FOR STABILIZATION OF PRIMARY PRODUCT TRADE, TO PROVIDE A STABLE MARKET FOR SUCH PRODUCTS ON THE PART OF IMPORTER NATIONS, AND TO MAKE OTHER MUTUAL EFFORTS.

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"EVEN IF THE PRESENT WORLD TRADE STAGNATION IS PRIMARILY DUE TO THE ECONOMIC RECESSION AND DECREASED DEMAND IN ADVANCED COUNTRIES, WE CANNOT OVERLOOK THE FACT THAT THIS HAS RESULTED IN FURTHER IMPEDING ADVANCED COUNTRIES' EXPORTS

THROUGH THE WORSENING ON NON-OIL-PRODUCING COUNTRIES' TRADE BALANCES. CONSEQUENTLY, CONCERNING DEVELOPING COUNTRIES' TRADE, ESPECIALLY CONCERNING MEASURES CONDUCIVE TO THE OVERCOMING OF THE WORSENING OF PAYMENT CAPABILITIES TO COVER IMPORT DEMAND, WE THINK IT SIGNIFICANT TO PROMOTE INTERNATIONAL STUDIES, AND IN ORDER TO COPE WITH CHANGES IN EXPORT EARNINGS, WE THINK IT DESIRABLE TO PUSH THE CONCEPT OF STABILIZING DEVELOPING COUNTRIES' EXPORT EARNINGS. ON THIS POINT, I WOULD LIKE TO DWELL UPON CONCRETE MATTERS WHEN WE DISCUSS THE PRIMARY PRODUCTS PROBLEMS AND RELATIONS WITH DEVELOPING COUNTRIES.

"4. WHEN WE DECLARED THE START OF THE NEW INTERNATIONAL ROUND IN TOKYO IN SEPTEMBER 1973, WE ANNOUNCED OUR COMMITMENT TO FURTHER EXPANSION OF WORLD TRADE UNDER A FREE AND OPEN WORLD ECONOMIC STRUCTURE.

"SINCE THEN NEGOTIATIONS HAVE BEEN CONTINUED FOR MORE THAN TWO YEARS IN GENEVA. IN THE INTERIM, THE WORLD ECONOMY HAS FACED MANY ORDEALS, SUCH AS THE OIL PROBLEM, FLUCTUATIONS IN THE PRICES OF PRIMARY PRODUCTS, INFLATION, DEPRESSION AND THE RESULTANT UNEMPLOYMENT PROBLEM. THESE DIFFICULT PROBLEMS ARE VIVIDLY REFLECTED IN THE PRESENT SITUATION OF INTERNATIONAL TRADE, AND THE NEW INTERNATIONAL ROUND IS NOT AN EXCEPTION, EITHER. WE CANNOT SAY THAT THE ROUND IS NOW MAKING SATISFACTORY PROGRESS. WHAT IS MORE REGRETTABLE IS THAT SUCH A SITUATION AS TO RUN COUNTER TO THE OBJECTIVES OF THE NEW INTERNATIONAL ROUND HAS APPEARED.

"TO AVOID SUCH AN UNDESIRABLE SITUATION, I THINK IT EXTREMELY EFFECTIVE TO CONTINUE NEGOTIATIONS AIMED AT FREE TRADE. NOR CAN WE SAY THAT SUCH A DANGEROUS TREND AS TO HARBOR DOUBTS ABOUT THE FREE TRADE STRUCTURE ITSELF, WHICH HAS ENABLED THE EXPANSION OF THE POSTWAR WORLD,
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HAS NOT ARISEN OUT OF OUR TOO GREAT CONCERN ABOUT THE PRESIDENT DIFFICULTIES. SUCH A SITUATION DRIVES HOME TO US THE NEED FOR MAKING EFFORTS TO OVERCOME SHORT-RANGE DIFFICULTIES AND TO MAINTAIN AND STRENGTHEN THE FREE TRADE STRUCTURE FROM A LONG-RANGE POINT OF VIEW. IT HAS BECOME MORE IMPORTANT THAN BEFORE TO RECONFIRM OUR COMMITMENTS TO THE AIMS OF THE TOKYO DECLARATION AND TO RECONFIRM OUR COOPERATION IN AND EFFORTS FOR POSITIVELY PROMOTING THE NEW INTERNATIONAL ROUND, KEEPING IN MIND THE HARMONIOUS AND OVERALL FURTHERANCE OF NEGOTIATIONS FOR THE REALIZATION OF THESE AIMS.

"5. I FIRMLY BELIEVE THAT IF THE LEADERS OF THE SIX NATIONS CONFIRM THEIR JOINT INTENTIONS FOR THEIR CONCERTED OBJECTIVES AT THIS HISTORIC CONFERENCE IT WILL GREATLY CONTRIBUTE TO THE DEVELOPMENT OF WORLD TRADE IN THE FUTURE.

"AGENDA ITEM 2-B INTERNATIONAL ECONOMY - CURRENCIES
"ON THE EXCHANGE RATE SYSTEM:(1. I THINK THAT IN THE PAST TWO AND A HALF YEARS, WHEN THE WORLD ECONOMY WAS IN CONFUSION DUE TO THE OIL CRISIS, ETC. THE FLOATING RATE SYSTEM WAS EFFECTIVE TO AVOID A MONETARY CRISIS. ON THE OTHER HAND, IT IS TRUE THAT EXCHANGE RATES FLUCTUATED CONSIDERABLY SHARPLY IN THAT PERIOD. WE CANNOT SAY THAT THIS DID NOT OBSTRUCT TRADE AND OTHER INTERNATIONAL TRANSACTIONS.

"2. THERE IS ALSO THE PROBLEM OF WHETHER THE PRESENT FLOATING RATE SYSTEM CAN BE HELD STILL APPROPRIATE, WHEN THE WORLD ECONOMY HAS BECOME MORE NORNAL, AND AS A MEDIUM-RANGE MONETARY SYSTEM, THE IMF TWENTY-NATION COMMITTEE WORKED OUT A "STABLE AND ADJUSTABLE" PARITY SYSTEM, BUT THIS SYSTEM HAS NOT BEEN IMPLEMENTED YET, FROM THE JUDGMENT THAT ITS IMPLEMENTATION IS DIFFICULT UNDER THE PRESENT POLITICAL AND ECONOMIC SITUATION IN THE WORLD.

"ON STABLIZATION OF EXCHANGE RATES: 3. IF STUDIES ARE CONDUCTED IN THE FUTURE ON A GREATER STABILIZATION OF EXCHANGE RATES UNDER THE PRESENT FLOATING SYSTEM, IT IS PROBABLY SIGNIFICANT TO MAKE MUTUAL CONFIRMATION ABOUT UNCLASSIFIED

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THE CONCRETE DIRECTION AND THE STANDARD TO BE FOLLOWED.
END TEXT OF PART II OF IV.
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